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**FOR IMMEDIATE RELEASE:**

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**DFI'S PREDATORY LENDING CAMPAIGN  
EVOKES A PUBLIC RESPONSE**

OLYMPIA, WA – A summer campaign launched by The Washington State Department of Financial Institutions (DFI) is generating significant public interest. The Department took steps to raise consumer awareness of predatory lending by releasing television, radio, and print public service announcements. DFI is enhancing its outreach efforts after conducting a study to measure the financial literacy of Washington consumers and how best to reach them with financial education. Since the start of the campaign, DFI has received an average of 57 inquiries each day from consumers wanting to know more about predatory lending.

The statewide campaign encourages consumers to borrow wisely by not signing documents that they don't understand, being suspicious of high fees or penalties, and taking their time as to not be pressured into quickly finalizing a home loan. The PSAs feature Seattle jazz legend Ernestine Anderson, and Jeanie Luna, a predatory lending victim. Both volunteered their services to assist DFI's effort.

"Enforcement is one way to protect consumers and to stop practices like predatory lending," said Helen Howell, Director of DFI. "However, Washington, like most other states, cannot afford to invest the enforcement resources necessary to eliminate the problem. Educating consumers before they enter into financial transactions is key to preventing financial fraud."

The Agency is also producing an interactive, educational CD ROM covering topics such as: what you need to know about home loans, questions to ask your lender, examples of disclosure forms and checklists, tips on avoiding predatory loans, and a glossary of common banking terms. Consumers are encouraged to place an order by calling, 1-877 RING DFI, or by visiting DFI's web site ([www.dfi.wa.gov](http://www.dfi.wa.gov)). Copies of the CD ROM will be available in August.

The study and the campaign were financed with cost recovery dollars awarded to the Department for its investigation of Household International, which resulted in the largest predatory lending settlement in our nation's history.

## **What is predatory lending?**

Lending and mortgage origination practices become “predatory” when the borrower is led into a transaction that is not what they expected. It can best be described as mortgage fraud practiced against consumers. The acts involved often take the form of deception or misrepresentations concerning loan products, loan amounts, interest rates, loan costs, monthly payment plans, and prepayment penalties.

## **The Study.**

To learn more about the financial knowledge, behaviors, attitudes and experiences of consumers in Washington, DFI commissioned a study by the Social and Economic Sciences Research Center (SESRC) at Washington State University. The SESRC interviewed 891 Washington consumers who were victims of predatory lending, and 532 Washington consumers from the general population to determine differences in characteristics or behaviors.

The research showed that victims of predatory lending have a tendency to engage in risky financial behaviors on a regular basis, such as: taking advances on credit cards, using payday lenders and using pawnshops. In fact, fifty percent enter into financial transactions in a moment of desperation or as a response to an emergency. Often, these consumers need money quickly and sign loan agreements without understanding how much they are paying in interest or fees.

The research also indicated that although many financial institutions offer financial literacy programs, less than 1% of Washington state consumers (from either the victim pool or the general population pool) use these resources. Consumers seek an objective or neutral resource for the financial education.

“The conclusions of the study are significant and strongly support the need for financial education in Washington State,” said Director Howell.

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DFI’s **Survey of Financial Literacy in Washington State: Knowledge, Behaviors, Attitudes, and Experiences** may be viewed at <http://www.dfi.wa.gov/PredLend.htm>

## **Interview Opportunities**

Interviews may be arranged by contacting Scott Kinney (360-902-0517):

- Jeanie Luna, predatory lending victim
- Dana Moored, Social and Economic Sciences Research Center at WSU
- Chuck Cross, DFI Director of Consumer Services and Chief Examiner